

Sub-fund of Irish domiciled open-ended investment company

Fund owner: Legg Mason Investments

Fund manager: Global Currents Investment Management

**Named portfolio manager(s):**

Paul Ehrlichman (since October 2006)

Peer group: Global Mainstream Equities

**Location:** Wilmington, Delaware

**Launch date:** September 2006

**Fund size (May 2009):** US\$29m

**Contact group:** +1 302 476 3800 or

www.globalcurrents.com

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date June 2010

### Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	3 Years
Fund	-24.2%
Standard & Poor's peer median	-17.5%
Index**	-19.6%
Fund rank	1874/2421

Note: returns are cumulative

### Three-year risk characteristics

Maximum drawdown (%)	-19.8
Volatility	6.2
Correlation	1
Beta	0.9

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2010 Lipper Inc. All Rights Reserved. All statistical data on this report has been run to 31/03/2010 on NAV to NAV basis, with gross income reinvested, in US Dollars.

### Standard & Poor's opinion (July 2009)

Legg Mason Global Funds plc GC Global Equity Fund (formerly Brandywine Global Equity Fund) has had a mixed time since October 2006, when its management team set up as a separate, autonomous business within the Legg Mason Group. Its quant guided quality/value philosophy has met a series of different challenges since and, with the exception of Q3 2008, performance within the peer group has been poor. The fund now ranks in the fourth quartile of the global equity sector peer group.

We are aware, however, that this pattern of performance is consistent with other quant guided funds, challenged by high volatility, and that neither value nor quality has been consistently rewarded in this period.

The team spent the first year of its independence reconfiguring the quant model that directs their qualitative research to try and establish more timely signals. They have hired a specialist from FactSet to assist with this and have undertaken 20 years' backtesting on a variety of investment horizons to build into the optimised process. They have also tested the optimum rebalancing period. Indications are that a combination of a 12-month view and a monthly rebalancing should be an improvement when implemented later this year.

Although this is work in progress, it is evidence that the team retains both the resources and the determination to adapt a process that in earlier years produced much more satisfactory results. Poor performance since 2006 does put pressure on the rating, but given the team's experience, earlier track record and growing resources, the fund retains its S&P A rating.

### Fund manager & team

Global Currents Investment Management was set up in May 2008 by the global equity value team at another Legg Mason subsidiary, Brandywine. It is an autonomous affiliate within Legg Mason and its expertise is in global equity mandates run with a clear value bias and an emphasis on bottom-up stock selection. With over \$4.5bn assets under management, the investment team comprises five portfolio managers, seven research analysts and two traders.

Paul Ehrlichman - global equity CIO - finance & quant analysis (La Salle University), has been an analyst and manager of US and international equity portfolios since 1983 when he was at First Pennsylvania Bank. In 1984 he moved to Provident Capital Management, then to Brandywine in 1988.

Sean Bogda - finance (University of Colorado), began his career in 1990 as an analyst at Brandywine and is now a senior portfolio manager in the global equities team.

### Management style

From a universe of 17,000 companies, a liquidity screen establishes an investable universe of companies capitalised above \$300m. A quantitative model uses basic value criteria to identify some 1000 companies that are trading at or below historic values. Those with poor financial characteristics, deteriorating competitive position, weak management or poor industry conditions are eliminated, producing a focus research list of 125 names.

Research focuses on the industry as well as the stock to establish the intrinsic value of each business. The investment horizon is long term, but the research also seeks a shorter-term catalyst for recovery and growth. The portfolio will typically hold 50-100 stocks; a further 125 potential names/new ideas are held on a focus list.

The portfolio managers have the final say on what stocks enter or leave the portfolio, although the stock weights are set using a team approach, based on upside potential, downside risk, level of conviction and the impact on diversification.

Risk is controlled using formal maximums of 5% for stocks, 15% for industries and 35% for sectors. US exposure cannot exceed 75%, Europe and Asia 50% and emerging markets 15%.

# LEGG MASON GLOBAL FUNDS PLC - LEGG MASON GC GLOBAL EQUITY FUND

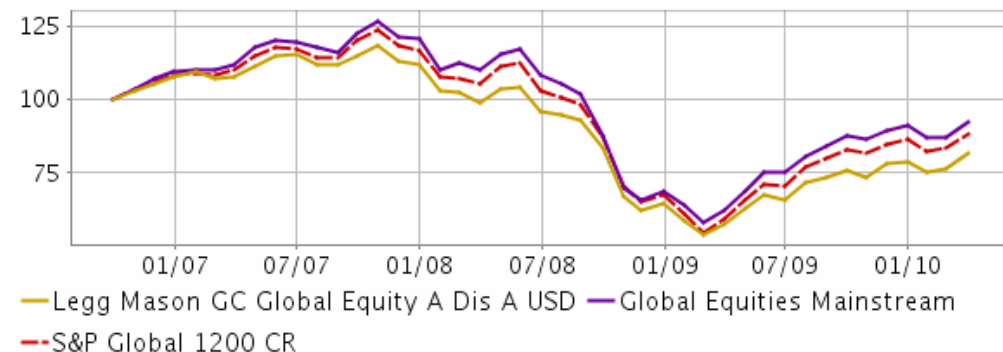
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## Portfolio & performance analysis (June 2009)

### Cumulative performance



# STANDARD & POOR'S



### Portfolio characteristics

No. of holdings	86
Turnover ratio (%)	N/A
% in top 10	23

Basic materials	9.5
Cash	1.2
Consumer discretionary	5.2
Consumer staples	14.2
Energy	8.1
Financials	19.1
Healthcare	12.0
Industrials	10.2
Information technology	14.0
Others	0.0
Telecoms	4.0
Utilities	2.5

### Top 10 holdings (01/06/09)

Jardine Matheson	2.9
Total	2.8
Cheung Kong	2.4
Intel	2.3
EnCana	2.2
Mylan	2.1
Rayanaire	2.1
BNP Paribas	2.0
Experian	2.0
International Business Machines	2.0

\* In top 10 holdings a year ago

### Discrete performance (calendar years)

	2007		2008		2009		YTD 31/03/2010			
	%	Rank	%	Rank	%	Rank	%	Rank		
Fund	/		3.5	2062/2349	-42.2	1018/2789	21.7	2841/3228	3.7	396/3328
Index**	18.8		7.7		-41.9		27.8		2.4	
Median	21.6		10.3		-43.1		32.5		1.4	

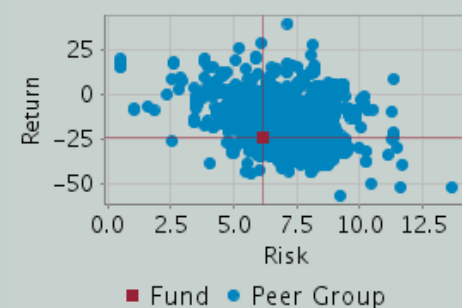
\*\* S&P Global 1200 (Industry)

Fund benchmark: MSCI World Net (USD)

### Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A	5.00	0	1.35	N/A			IE00B06N0024
Registered for sale	Austria, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, United Kingdom						

### Risk return (standard deviation) over five years



# STANDARD & POOR'S

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## Symbols and Definitions

### Long-Only Fund Ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-Hedge-Fund Ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Absolute Return Fund Ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Specialist Fund Ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**A** The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

### All Fund Ratings

**NR** Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

**UR** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**New** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

### Tenure Review

The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more and continues to hold a rating.

### Bond Fund Volatility Ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less\* liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute Return Fund N Ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.